

PROPOSED REVISION TO PSB RULE 5.409
Costs of Section 248 Projects

(a) Where a Vermont utility is the petitioner, or the costs of a project or a portion thereof are eligible to be recovered from ratepayers, the petitioner shall regularly monitor and update the estimated capital costs of any project it has proposed for or received approval under Section 248. ~~When the estimated capital costs of such a project increase by 20 percent, and the increase is at least \$ 25,000, or such other amount as the Board may order in a given proceeding or prescribe in a Procedure, prior cost estimates submitted by the petitioner to the Board, the petitioner shall notify the Board and parties of the new capital cost estimates for the project and the reasons for the increase. This requirement to monitor, update, and report shall continue until construction of the project has been completed.~~

(b) Updates required by this rule shall be filed with the Board and the Department of Public Service no less than quarterly and shall be filed on a form prescribed or approved by the Board. The following information shall be included in each update:

- i. The Baseline Estimate
- ii. Actual costs as of report date
- iii. Remaining cost from Baseline Estimate
- iv. Remaining Contingency
- v. Scope Changes
- vi. Handy Whitman Adjustment
- vii. Percent of Project Completed

(c) For the purposes of Rule 5.409, the following definitions apply:

- i. Baseline Estimate: Original Cost Estimate plus Contingency, Project Scope Changes, and Handy Whitman Adjustment
- ii. Change Order Process: the process used by the petitioner or petitioner's contractor to document a change in Project Scope or Scope Change.
- iii. Contingency: an amount added to an estimate to allow for items, conditions, or events for which the state, occurrence, and/or effect are uncertain and that experience shows will likely result, in aggregate, in additional costs. Typically estimated using statistical analysis or judgment based on past asset or project experience.
 - A. Contingency usually excludes major scope changes like changes in end product specification, capacities, building sizes, and location of the asset or project; extraordinary events such as major strikes and natural disasters; management reserves; and escalation and currency effects.
 - B. Remaining Contingency is the amount of Contingency in the Original Estimate less Contingency used
- iv. Cost Estimate: the prediction of quantities, cost and/or price of resources required by the scope of an investment option, activity, or project. As a prediction, an estimate must address project risks and uncertainties. Cost Estimates are determined utilizing experience, calculating and forecasting the future costs of resources, methods, and management within a scheduled time frame.

- v. Handy Whitman Adjustment (HW): the adjustment made to a Cost Estimate to adjust escalation costs for Labor, Material and Equipment
- vi. Project Scope: Defines the work that must be performed to deliver a product, service or result with the specified features and functions.
- vii. Scope Change: the deviation from Project Scope which may result in cost variance and is captured through the Change Order process.